

AMENDED IN SENATE APRIL 16, 2001

AMENDED IN SENATE MARCH 29, 2001

SENATE BILL

No. 183

Introduced by Senator Burton

February 6, 2001

An act to add Chapter 5 (commencing with Section 50250) to Part 1 of Division 31 of the Health and Safety Code, relating to residential security deposits.

LEGISLATIVE COUNSEL'S DIGEST

SB 183, as amended, Burton. Residential Security Deposit Guarantee Program.

Existing law prohibits a landlord from demanding or receiving security, however denominated, in an amount or value in excess of 2 months' rent in the case of unfurnished residential property, and 3 months' rent in the case of furnished residential property, in addition to any rent for the first month paid on or before initial occupancy.

This bill would require the Business, Transportation and Housing Agency to establish a security deposit guarantee program. It would require participating cities, counties, and cities and counties to award security deposit guarantee certificates to qualified households in order to guarantee the payment of damages on a security deposit that is required by a residential rental property owner. It would also establish a Residential Security Deposit Guarantee Fund as a continuously appropriated fund for the purpose of paying claims for damages made by a qualified residential rental property owner. The bill also would require a contract between a prospective tenant~~and~~, *the* residential

rental property owner, *and the city, county, or city and county* before they may participate in the program.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) One of the most difficult problems that very low, low- and
4 moderate-income families face in seeking residential rental
5 housing is the need to pay not only the first month's rent, but also
6 the additional security deposit which is paid on or before the initial
7 occupancy of the rental premises.

8 (b) Prospective tenants find that it is often difficult to make the
9 required payment to the landlord from savings.

10 (c) A security deposit guarantee program will provide the
11 necessary financial assistance for those families facing financial
12 difficulty that are trying to qualify to rent residential property.

13 (d) In addition, a security deposit guarantee program will lower
14 vacancy rates and assist qualified prospective tenants.

15 SEC. 2. Chapter 5 (commencing with Section 50250) is added
16 to Part 1 of Division 31 of the Health and Safety Code, to read:

17
18 CHAPTER 5. RESIDENTIAL SECURITY DEPOSIT GUARANTEE
19 PROGRAM
20

21 50250. For purposes of this chapter, "residential rental
22 property owner" and "property owner" includes an agent for the
23 owner of residential rental property.

24 50251. The Business, Transportation and Housing Agency
25 shall establish a security deposit guarantee program as described
26 in this chapter. Notwithstanding Section 50152, the Secretary of
27 the Business, Transportation and Housing Agency shall then
28 determine the appropriate state entity within the Business,
29 Transportation and Housing Agency to administer this security
30 deposit guarantee program. Participating cities, counties, and city
31 and counties shall award security deposit guarantee certificates to
32 qualified households in order to guarantee the payment of damages



on a security deposit that is otherwise required by a residential rental property owner prior to entering into a tenancy.

50252. (a) There is hereby established a Residential Security Deposit Guarantee Fund in the State Treasury. Notwithstanding Section 13340 of the Government Code, all moneys in this fund are continuously appropriated without regard to fiscal years for the purpose of paying claims for damages made by a qualified residential rental property owner as prescribed by this chapter. All moneys appropriated to this fund and interest earned on these moneys shall remain on deposit with the state and be utilized only ~~as collateral to guarantee~~ for the payment of damages on a security deposit required by a residential rental property owner where the security deposit has been guaranteed under a contract entered into pursuant to Section 50253.

(b) From the fund, the Business, Transportation and Housing Agency shall allocate a minimum amount of fifty thousand dollars (\$50,000) to participating cities or counties within rural areas, as defined in Section 50101, and seventy-five thousand dollars (\$75,000) to participating cities, counties, or cities and counties in other areas. The maximum amount that may be allocated to any one city, county, or city and county shall be one hundred fifty thousand dollars (\$150,000). A city, county, or city and county may not award security deposit guarantee certifications that, at any given point in time, total an amount that exceeds the amount allocated to it pursuant to this section.

50253. (a) Prior to awarding a security deposit guarantee certificate to a prospective tenant, the participating city, county, or city and county shall make a determination of the eligibility of the tenant's household to participate in the security deposit guarantee program and once this determination has been made, the amount of the security deposit guarantee certificate that a prospective tenant needs to establish for a tenancy with a residential rental property owner. The amount of the security deposit guarantee certificate shall not exceed 80 percent of the total security deposit required by the property owner.

(b) A prospective tenant shall only be eligible to participate in the program if he or she belongs to a very low, low- or moderate-income household, as defined in Section 50093, has a source of income sufficient to pay the monthly rental payments and the monthly payments towards the deposit, but does not have

1 the funds necessary for the entire security deposit, and participates
2 in a class on landlord tenant relationships described in subdivision
3 (c) prior to entering into a rental agreement with a residential rental
4 property owner. A prospective tenant may only participate in the
5 program one time. Priority shall be given to workforce households
6 with minor children, as defined in the federal Ticket to Work and
7 Incentives Improvement Act (Public Law 106-170). In addition,
8 a prospective tenant shall be required to enter into a contract
9 described in Section 50254.

10 (c) The class on landlord tenant relationships shall include, but
11 not be limited to, credit counseling, a general description of
12 landlord tenant rights and responsibilities, and a discussion on the
13 need for the parties to inspect the rental property at the initial hiring
14 of the property and upon the termination of the tenancy.

15 50254. A contract between the prospective tenant ~~and~~
16 ~~residential rental property owner shall be required before they may~~
17 ~~participate in the Residential Security Deposit Guarantee~~
18 ~~Program.~~, *the residential rental property owner, and the city,*
19 *county, or city and county that has issued the certificate shall be*
20 *required before the guarantee becomes effective.* The terms of the
21 contract shall include all of the following:

22 (a) The prospective tenant shall agree to pay the property
23 owner 20 percent of the total amount of security required to hire
24 a rental property. The prospective tenant shall also agree to make
25 payments over a specified number of months in order to pay the
26 entire remainder of the total amount of the required deposit.

27 (b) The residential rental property owner shall agree to allow
28 the security deposit to be paid over a specified number of months
29 as an addition to the regular rental monthly payment.

30 (c) At any time during the operation of the guarantee, the
31 residential rental property owner shall make all claims first against
32 the amounts of the security deposit actually paid by the tenant and
33 secondarily against the security deposit guarantee certificate. At
34 no time during or after the tenancy may the residential rental
35 property owner make claims against the guarantee certificate in
36 excess of the amount of the guarantee certificate less any amounts
37 actually paid to the prospective owner as security pursuant to this
38 contract.

39 (d) The city, county, and city and county that issued the
40 certificate shall agree to reimburse the owner of the residential

1 rental property for the amount owed in accordance with Section
2 1950.5 of the Civil Code.

3 50255. Disputes concerning a claim against the security
4 deposit shall be made by the tenant. The tenant shall not have direct
5 use of the guarantee certificate.

6 50255.5. Within 21 days of the termination of tenancy, a
7 residential property owner may make a claim upon the Residential
8 Security Deposit Guarantee Fund as provided in this section. The
9 claim shall be delivered to the state entity that administers this
10 chapter and a copy of the claim shall be provided to the city,
11 county, or city and county that issued the security deposit
12 guarantee certificate. The state entity shall pay the claim of the
13 residential property owner within 21 days of receipt of the claim.
14 No claim may be made against the certificate by a residential rental
15 property owner who has been cited for a building code violation
16 in the 12-month period prior to the initial hiring of the property to
17 the tenant who presents the certificate.

18 50256. A city, county, or city and county that applies to the
19 state to participate in the security deposit guarantee program shall
20 demonstrate, among other things, all of the following:

21 (a) How it proposes to administer the local program.

22 (b) How it will complete the issuance of all award certificates.

23 (c) How it will solicit potential qualifying households and
24 property owners that would be interested in participating in the
25 program.

26 (d) How its educational landlord and tenant training program
27 for prospective tenants will be achieved. Additionally, the state
28 shall determine that the participating city, county, or city and
29 county ~~is in substantial compliance with Section 65583 of the~~
30 ~~Government Code~~ *has adopted a housing element that the*
31 *Department of Housing and Community Development has*
32 *determined pursuant to Section 65585 of the Government Code to*
33 *be in substantial compliance with the requirements of Article 10.6*
34 *(commencing with Section 65580) of Chapter 3 of Division 1 of*
35 *Title 7 of that code.*

36 50257. A city, county, or city and county shall not delay the
37 rental or rerelease of an owner's property nor shall any expenses be
38 borne by the property owner in connection with the security
39 program.

- 1 50258. A participating city, county, or city and county shall,
2 at a minimum, report biannually to the designated state agency
3 information concerning the operation of the program. The
4 elements of the report shall include, but not be limited to, all of the
5 following:
- 6 (a) The number of households assisted.
 - 7 (b) The number of households assisted by income group.
 - 8 (c) The amount of time spent administrating the program.
 - 9 (d) The balance of the program allocation for that local
10 government.
 - 11 (e) The total costs of the program incurred to date.

